

BANKING AND FINANCE (2005 - 2006)

Units of Credit: Semester (.5)
Prerequisite: None

CIP Code: 52.0813

COURSE DESCRIPTION

Students will gain an understanding of the banking and financial industries. The course will include an understanding of economics as the underlying basis of the transfer and growth of money in our system. Students will gain an understanding of the securities, banking, and insurance industries. This will include information that will not only help them to be a better consumer, but to gain skills and knowledge to begin pursuit of careers in the various fields.

CORE STANDARDS

STANDARD 0000-01

The student will understand economics as it relates to the banking and financial industries

OBJECTIVES:

- 0101 Identify the various interest rates within the economy including: prime, discount, and fed. funds.
- 0102 Explain the concept of compound interest and the importance of time in accumulating wealth.
- 0103 Explain the risk/reward rule and identify potential exceptions and consequences as a result of understanding the rule.
- 0104 Discuss the time value of money and describe why \$1 today is worth more than \$1 at some point in the future.
- 0105 Describe the advantages and disadvantages of organizing a company as a corporation.
- 0106 Define inflation, deflation, recession, and their impact on the economy.

STANDARD 0000-02

The student will understand the structure of the Securities Markets.

- 0201 Explain the process required to take a company public, and the risks involved with investing in an initial public offerings (IPO).
- 0202 Explain the role of the National Association of Securities Dealers (NASD) and the Securities and Exchange Commission (SEC), and their role in monitoring securities activities.
- 0203 Identify the various stock exchanges and the differences between them including: New York Stock Exchange (NYSE), American Stock Exchange (AMEX), National Association of Securities Dealers Automated Quotation system (NASDAQ), over-the-counter (OTC) and penny stocks, and regional exchanges.
- 0204 Explain the importance and role of various stock market tracking devices such as the Dow Jones Industrial Average (DJIA), Standard and Poors 500 (S&P 500), etc.
- 0205 Explain the history of the ticker tape and the role it plays in today's securities markets.
- 0206 Identify the difference between full service and discount brokers, and describe the advantages and disadvantages of using one or the other.
- 0207 Define insider trading and explain the consequences for violators.
- 0208 Describe the process of executing a stock transaction including the role of the broker, trader, and specialist.
- 0209 Identify the difference between a bull and a bear market.
- 0210 Discuss the changes brought to the securities industry due to the rise in popularity and use of the Internet.
- 0211 Identify career opportunities in the securities industry.

STANDARD 0000-03

The student will understand Investing as it relates to valuing and selecting stocks.

- 0301 Describe the role and function of a financial advisor in assisting customers with investments, estate planning, insurance, taxes, etc.
- 0302 Discuss various measurements of valuing of a public company including: price earnings (PE) ratio, dividends, earnings per share, beta, etc.
- 0303 Describe what a common or preferred stock certificate represents and the effects

- 0304 of a stock split.
Define margin and explain the effect it has upon investors who choose to use it.
- 0305 Define short selling and explain the effect it has upon investors who implement it.
- 0306 Explain supply and demand as it applies to the continually changing price of a particular stock.
- 0307 Define the bid and the ask of a stock quote and the significance of the spread between the two.

STANDARD 0000-04

The student will understand Investing as it relates to mutual funds.

- 0401 Explain what is contained in a prospectus and illustrate the importance of reading it.
- 0402 Describe the net asset value (NAV) as it relates to the daily valuing of a mutual fund.
- 0403 Describe the advantages and disadvantages of investing via mutual funds as opposed to investing directly via individual stocks.
- 0404 Define loads as it applies to mutual funds including: front-end, back-end, back-end declining, and no-load.
- 0405 Explain what is meant by a Family of Funds, and the advantages and disadvantages of investing via one family.
- 0406 Describe the role of the Management Fee in determining the profitability of Mutual Fund companies.
- 0407 Explain the concept of Dollar-Cost-Averaging and its use to minimize risk.

STANDARD 0000-05

The student will understand Investing as it relates to Corporate and Government Bonds.

- 0501 Explain the inverse relationship of the value of Bonds to interest rates.
- 0502 Describe the characteristics of Corporate Bonds, Convertible Bonds, Treasury Bills and Bonds, Savings Bonds, and Municipal Bonds.
- 0503 Describe why Treasury Bills are the standard of low risk investments.

0504 Explain the reasons a company would issue Stocks (Equity) or Bonds (Debt) to raise needed funds.

0505 Discuss the role of the Federal Reserve in governing interest rates.

STANDARD 0000-06

The student will understand Insurance, terminology within the industry, and various career opportunities available.

0601 Define insurance as it relates to the transfer of risk from one party to another.

0602 Describe the regulatory environment of the insurance industry, and explain the role of the State Insurance Commission.

0603 Describe the roles of various careers within the insurance industry including: Agent, Adjuster, Underwriter, Actuary, etc.

0604 Define Grace Period and explain the consequences of not renewing a policy.

0605 Define Premium.

0606 Identify career opportunities in the insurance industry.

STANDARD 0000-07

The student will understand Property and Casualty Insurance from the perspective of a consumer as well as that of an agent.

0701 Explain the use of Riders and Endorsements on insurance policies to cover specific needs.

0702 Describe the characteristics of various automobile coverage including: Liability, Collision, and Comprehensive.

0703 Explain what the Deductible is on an insurance policy and describe the ability to alter premium rates by adjusting the amount of the deductible.

0704 Identify different types of insurance including: Disability, Auto, Health, Product Liability, Errors and Omissions, etc.

0705 Explain the breadth of coverage offered from a Homeowner's policy.

0706 Define Liability Limits on an automobile policy and explain the coverage format

stated in terms such as 25/50/25.

- 0707 Explain the benefits of the Utah No-Fault requirement that all persons involved in a collision have minimum medical coverage of \$3,000 regardless of who was at fault in causing the collision.

STANDARD 0000-08

The student will understand Life Insurance from the perspective of a customer, as well as that of an agent.

- 0801 Identify the difference between Tax-free and Tax-deferred benefits as it applies to life insurance.
- 0802 Describe the benefits and restrictions of Term life insurance.
- 0803 Describe the characteristics of Whole life and Universal life insurance including: face amount, cash value, premium, etc.
- 0804 Explain the importance of choosing a financially stable company from which to buy life insurance.
- 0805 Explain the tax benefits of purchasing insurance annuities as an investment alternative.

STANDARD 0000-09

The student will understand Banking, terminology within the industry, and various career opportunities available.

- 0901 Identify the difference between Banks, Credit Unions, and Savings and Loans.
- 0902 Explain the importance of insured deposits for Banks, Credit Unions, and Savings and Loans.
- 0903 Define who insures financial institutions' deposits (FDIC, NCUA, FSLIC) and the limits of those insured deposits.
- 0904 Describe how a financial institution makes their money and the role of savers and borrowers.
- 0905 Explain the role of the Federal Reserve in banking.
- 0906 Identify career opportunities in the banking industry.

STANDARD 0000-10

The student will understand Banking as it relates to consumer

- 1001 Discuss ways to establish and maintain a good credit rating.
- 1002 Describe the process of getting a loan and explain the requirements of most lending institutions before granting approval.
- 1003 Explain what collateral is and the importance of using it when getting a loan.
- 1004 Explain what a co-signer is, and the role they play in making a loan more secure.
- 1005 Describe the consequences of extending the loan life to achieve lower monthly payments and the time limits lending institutions have on various types of loans.
- 1006 Explain the consequences of borrowing money and describe the method in which interest is amortized over the life of the loan.
- 1007 Describe the debt:income ratio, what it means, and the maximum range that most lending institutions will allow.